

RESEARCH MATTERS

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Mold – Good, Bad, and Ugly



MOLD



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Mold, despite its seemingly ubiquitous presence throughout human history, has spurred a veritable firestorm of concern recently among consumers and a wide range of commercial industries, particularly the insurance community. There is a burgeoning debate among scientists, insurance professionals, builders, lawyers, and lawmakers surrounding the potential causes and effects of mold in both residential and commercial settings. In light of this furor, the following is presented to help address many of the whats?, what-ifs?, whys?, and what nows?

What is Mold?

Molds are simple microscopic organisms that can be found virtually anywhere organic matter is present. There are more than 100,000 species of mold, at least 1,000 of which are common in the United States. Mold's primary function in the natural world, assisting in the decomposition of organic matter, is an essential one. Molds break down organic materials by digesting them, using the organic material for nourishment. The earth's ecosystem is vast and complex but without mold that system would struggle with large amounts of dead plant matter. Molds produce tiny, ultra-lightweight spores in order to reproduce. These spores travel easily through indoor and outdoor air. One critical element for mold's growth, particularly in an indoor environment, is moisture. When mold spores present in the air inside our homes, schools, and businesses land on organic materials that contain moisture, they may begin growing and digesting that material. Many building materials provide suitable nutrients that encourage mold to grow. Mold growths can often be recognized in the form of various discolorations that occur in a range of colors and textures.

Mold and Your Health

Although common exposures to molds frequently lead to little or no evident effect, molds can cause adverse health conditions, particularly among those who have asthma, sensitive allergies, and compromised immune systems and among infants and the elderly. Mold spores most frequently cause health problems when they enter the air and are inhaled in large numbers. The most common health effects of excessive mold exposure include allergies, headaches, bronchitis, asthma attacks, lung irritation, and skin inflammation. In addition to these general risks, certain types of molds can produce toxins, called mycotoxins. Mycotoxins, found in both living and dead mold spores, are produced by these molds to inhibit or prevent the growth of other organisms. Exposure to the mycotoxins produced by toxic molds may present a greater health hazard than that of the general health risks associated with mold. In recent years, there has been considerable concern regarding certain species of molds and their possible association with more severe health problems. One example is *Stachybotrys chartarum* and its links to idiopathic pulmonary hemorrhage among infants, a condition that results from bleeding in the lungs. To date, despite the seemingly growing anecdotal evidence, there are no official studies that conclusively prove the association between certain toxic molds and severe health conditions. Further, the Centers for Disease Control and Prevention state that all molds should be treated the same with respect to potential health risks and removal.

Preventing and Removing Mold

Among those who are knowledgeable about the properties of molds, many speculate that the root cause of the problems appears to lie in an array and combination of factors including the properties of certain building materials, the climate, and the uninvited presence of water. Current building practices and materials are widely considered as a primary cause of recent excessive mold infestations. Design and materials issues that affect an indoor environment, such as humidity, ventilation, drainage, and others directly affecting mold's

growth, can often have considerable influence on the presence of molds. Certain steps such as using exhaust fans or opening windows when showering, cooking, or using the dishwasher, ensuring that clothes dryers are vented to the outside, and maintaining low indoor humidity will help prevent excessive mold infestation. The first step in removing mold infestations is to eliminate the source of moisture that feeds it. Part of the difficulties faced by those dealing with mold issues is that, to date, there are no official standards for the assessment of acceptable levels of molds in a given environment or for the remediation of mold.

The Texas Insurance Industry's Pulse on Mold

Mold consciousness has been heightened across the country by the recent developments in Texas. According to Texas Department of Insurance (TDI) figures, in a year's time the total losses on claims where the presence of mold was known or alleged increased 769 percent, from just over \$9,000,000 in the first quarter of 2000 to nearly \$80,000,000 in the first quarter of 2001. Further, TDI figures show that the number of claims increased over the same period by 287 percent, from 883 claims to 3,413. These seemingly drastic trends beg the question: What are the influences that have played a part in the controversies surrounding mold in Texas? Many who are concerned about the financial and health risks related to mold agree that industry participants have only begun to structure methods for data collection and assessment that address mold specifically. Still, many consumers and representatives of the insurance industry characterize the mold dilemma in Texas as a potential crisis.



Currently in Texas, the standard home policy covers all expenses (up to policy limits) related to mold damage as long as the mold damage was a result of a covered risk, such as water. As estimations and projections for mold-related losses grew, insurers began filing with TDI for approval to totally or partially exclude coverage for mold damage in homeowners' policies. Policy sellers began discussing significant rate increases with some going so far as enacting a freeze on the sale of new standard homeowners' policies that include water and ensuing loss coverage. Some insurers threatened to back out of the Texas market all together. Texas Insurance

Commissioner Jose Montemayor responded by urging calm consideration of the developments, enacting a special call to industry representatives for mold data, and requesting that his staff prepare a proposal for his consideration that seeks to remedy the mold dilemma. TDI staff presented a proposal to Montemayor on September 18, 2001, recommending a cap on mold coverage of \$5,000 in all policies, while requiring policy sellers to offer additional amounts of protection at an extra cost.

Whose Crisis Is This?

Consumers and industry representatives alike came out in scores to public hearings held by Montemayor in Austin, Corpus Christi, and Houston. The common message among consumers was that the cap limit of \$5,000 would fall very short of the costs some experience remediating mold damage and that insurers should pay for all of the actual damages incurred by their customers who are among the highest rate-paying insurance consumers in the country. Many expressed frustration with their insurer's handling of mold-related damage, claiming delay tactics that exacerbate mold infestations and a lack of knowledgeable appraisers dealing with a convoluted claims process. Insurers, on the other hand, felt the staff proposal would entrench the mold crisis deeply into the insurance market. Many representatives of the industry felt the staff proposal created coverage that does not currently exist, thus exposing the industry to costly coverage obligations and litigation, the costs of which will have to be passed to the consumers.

The New Policy

Montemayor's decision on the matter came in an order released November 28, 2001. The order requires insurers to continue to offer a basic form of mold coverage in the comprehensive homeowners' policies sold in Texas. That basic coverage is designed to cover the actual removal and repair of damaged property within a home and does not otherwise include the costs associated with remediation including testing, treating, containing and disposing of mold. Montemayor declined to approve the portion of the TDI staff proposal that called for a \$5,000 cap on mold coverage. The order also requires insurers to offer additional mold coverage covering all costs associated with mold damage in amounts equal to 25, 50, or 100 percent of policy limits. In an effort to prevent a problem termed "stacking," the order prohibits multiple mold claims within a policy year, allowing policy holders to file one claim for mold coverage within that year. Finally, a task force to be appointed by Montemayor will be asked to develop recommended procedures for handling mold claims. Very few, among both industry representatives and consumers, have expressed satisfaction with the resolution. With parties on both sides of the table equally dissatisfied, some observers speculate that Montemayor's order may suitably fit a very difficult dilemma. However, some from both sides of the issue who see the logic in it feel it is only a short-term solution. Insurers may offer the new coverage as early as January 1, 2002, but not later than January 1, 2003.

—by Jeremiah Jarrell, SRC